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SIPDIS

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TREASURY FOR IMB B. MURDEN, W. MONROE, AND M. BEASLEY

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SUBJECT: THAILAND FOR ASEAN -- INFORMATION IN ADVANCE OF G-20 MEETINGS

REFS: A) SECSTATE 17502 B) BANGKOK 384 C) 08 SINGAPORE 947 D) BANGKOK 370

¶1. (SBU) In response to ref A, we believe there are four issues that Thai Prime Minister Abhisit Vejjaviva, speaking on behalf of ASEAN, may raise at the G-20 Summit. (Note: For information regarding how the financial crisis has affected Thailand specifically, and how the Royal Thai Government (RTG) has responded, see ref B.)

#### Fight Against Protectionism

¶2. (SBU) Thai press has reported that Prime Minister Abhisit will raise the issue of protectionism at the G-20 London Summit. Thai authorities (echoing those of other ASEAN nations) have expressed concern over the potential for trade protectionism represented by the "Buy American" provision in the recently-passed U.S. stimulus bill. Facing protectionist tendencies back home, PM Abhisit may feel that anything short of a strong repudiation of protectionism by the G-20 could lead to a justification for protectionism in Thailand and elsewhere within ASEAN (ref. D).

#### Capital Increase for the ADB

¶3. (SBU) At a meeting of the ASEAN Plus Three (Japan, China, and South Korea) Finance Ministers in Phuket, Thailand, on February 22, the Ministers agreed that, to assist nations dealing with the economic crisis, the Asian Development Bank (ADB) should receive a capital increase.

#### Regional Financial Mechanism

¶4. (SBU) The Finance Ministers on February 22 also agreed to increase the overall size of the existing currency pool arrangement known as the Chiang Mai Initiative (CMI) from approximately USD 80 billion to USD 120 billion, with the Plus Three nations contributing 80 percent of the funds and the ASEAN nations contributing 20 percent. (Note: The CMI is an effort, still fledgling, to give the Asian region an alternative to having to go to traditional international financial institutions for forex assistance in time of financial crisis. For background information on the CMI, see ref. D. End Note). The Ministers also agreed to support the multilateralization of the fund, transforming it from a series of bilateral currency swap arrangements, and to set up a surveillance unit for the multilateralized fund, although no decision on where to house the unit was taken.

#### Reform of Financial Institutions

¶5. (SBU) Judging from his public remarks at the ASEAN summit on February 28 in Bangkok, PM Abhisit may also raise the need to reform existing international financial institutions in light of the

deficiencies demonstrated by the current crisis. However, there was no indication that he would go beyond a general call for reform and make specific recommendations.

16. (SBU) Comment: While no doubt appreciating the invitation to attend the G-20, ASEAN is a consensus-based organization that arrives at decisions slowly. The economic circumstances of the member countries vary widely and each has dealt with the crisis in a variety of ways. PM Abhisit is an eloquent and effective speaker, but he is unlikely to get too far in front of what little ASEAN members have formally agreed upon. Both the need for consensus and the different needs of the member states make it difficult for ASEAN to implement specific bold initiatives among themselves, let alone call for such at the G-20.

JOHN